

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Thursday, August 23, 2001, 9:00 a.m.
Utah Association of Counties Training Room

A G E N D A

9:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of July 19 Minutes	Gary Herbert
9:30	Fred A. Moreton—Brokerage Services Proposal	Kery Oldroyd
10:15	Questions from the Board	
10:30	Arthur J. Gallagher & Company—Brokerage Services Proposal	John Chino Rich Stokluska
11:15	Questions from the Board	
11:30	Lunch Break	
	Award of Brokerage Contract	
	2002 Premium Contribution Formula	Shawn Guzman
	Director's Report	Shawn Guzman
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, Physical or Mental Health of an Individual	
	Other Business	
1:30	Adjourn	

UACIM BOARD OF TRUSTEES MEETING

MINUTES

August 23, 2001, 9:00 a.m.

Utah Association of Counties, Salt Lake City, Utah

BOARD MEMBERS PRESENT

Gary Herbert, President, Utah County Commissioner
Dan McConkie, *Vice President*, Davis County Commissioner
LaVar Cox, Millard County Commissioner
Lynn Lemon, Cache County Executive
Ty Lewis, San Juan County Commissioner
Royal Norman, Box Elder County Commissioner
Tex Olsen, Sevier County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney

BOARD MEMBERS ABSENT

Ken Bischoff, *Secretary-Treasurer*, Weber County Commissioner
Kay Blackwell, Piute County Commissioner

OTHERS PRESENT

Steve Baker, Davis County Personnel Director
Dave Wilson, Weber County Deputy Attorney
Brent Gardner, UAC Executive Director
Shawn Guzman, UACIM Director
Sonya White, UACIM Administrative Assistant

CALL to ORDER

Dan McConkie called this meeting of the UACIM Board of Trustees to order and welcomed those in attendance. Dan presided over this meeting until the arrival of Gary Herbert.

REVIEW of BOARD MEMBERS ABSENT

Ken Bischoff requested to be excused from this meeting due to an extended illness. Kay Blackwell requested to be excused from this meeting due to his duties as Bishop of his LDS Ward. Ed Phillips made a motion to excuse Ken Bischoff and Kay Blackwell from this meeting. Royal Norman seconded the motion, which passed unanimously.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held July 19, 2001 were previously sent to the Board Members for review. Royal Norman made a motion to approve the July 19, 2001 meeting minutes as written. Lynn Lemon seconded the motion, which passed unanimously.

FRED A. MORETON—BROKERAGE SERVICES PROPOSAL

Kery Oldroyd, Vice President of Fred A. Moreton & Company and his staff, Craig Smith, Russ Norman, Julie Sorenson and Kathy Hampton, presented the Board with a summary of their proposed Broker Services (see attachment #1). Kery explained that with the data provided to them from Shawn Guzman and Sonya White he was able to market the UACIM liability program with Kempes, General Reinsurance and Coregis. For the property program, Kery received responses from Kempes, General Reinsurance, Coregis, Affiliated FM, Royal and Harford. A breakdown of the form, limits, self-insured retention and premium for each carrier was listed. Kery explained that the program negotiated with Kempes is their recommendation to the Board. Kempes will accept the Mutual's Coverage Agreement and limits with an aggregate/attachment point of \$2 million for an annual premium of \$967,811. In analyzing the UACIM account and comparing the Mutual with similar accounts, Moreton's fee schedule is \$59,100 for the 2002 policy year, \$52,900 for the 2003 policy year and \$54,500 for the 2004 policy year. During the first policy year, Moreton will, 1) complete inspections of all member owned buildings valued over \$1 million for correct classification; 2) assist in developing an information system; 3) attend meetings as requested; and 4) assist with rewriting the coverage agreement. For additional coverages (TULIP, airports, etc.), Moreton agreed to accept the insurance carriers normal commission rates or work out a mutually agreeable fee arrangement.

QUESTIONS from the BOARD

Board: Did Moreton have problems marketing the UACIM program five months prior to renewal?

Moreton: During a soft market carriers have no problem responding with firm rates. Because of the hard market today, carriers are equivocating their numbers because they are unsure what rates will be January 1. It is more difficult to negotiate with a carrier when a client is requesting a proposal several months prior to renewal. What was presented today is what the market rates are as of today. If Moreton is designated as broker, negotiations will continue up to the Mutual's renewal date. Kempes may consider lowering their property rate if a lower rate is given from another carrier.

ARTHUR J. GALLAGHER & COMPANY—BROKERAGE SERVICES PROPOSAL

John Chino and Rich Stokluska, Account Executives of Arthur J. Gallagher & Company, presented the Board with a summary of their proposed Broker Services (see attachment #2). Rich explained that the market underwriters reviewed the Mutual's exposure comparison and loss history to determine their rates. Due to a seven percent program increase, the underwriters responded with a seven percent rate increase for the UACIM account. Travelers Insurance Company was the only carrier that responded to the property program with an annual premium of \$484,659 (property, boiler, crime). Carriers responding to the liability program were Signet Star, American Safety, American Reinsurance and TIG. The program recommendation by Gallaghers is through American Reinsurance who will accept the Mutual's Coverage Agreement at an attachment point of \$1,875,000 for an annual premium of \$580,000. John reviewed the history Gallagher has had with the Mutual since 1996, reminding the Board that Gallagher was hired to do a specific job—restructure the program to reduce/maintain premiums and the loss fund attachment point, build surplus, add coverage and eliminate gaps in coverage and attend all Board meetings and conferences. Rich and John feel that they have accomplished this job and that being based out of Chicago and California has not hindered any of their services and/or performance. Gallagher proposed an annual fee of \$80,000 and performance bonus of \$16,000.

QUESTIONS from the BOARD

Board: We consider the bonus program as a basis to reward performance but Gallagher's reaction to one quarterly bonus reduction made the program appear to have a reverse effect. Does Gallagher consider the bonus part of their fee or as a basis to reward performance?

Gallagher: When Gallagher made their proposal in 1996, the Board was concerned about the Brokers being based out of state. Therefore, Gallagher was willing to use part of their fee as a bonus. John stated that they understand the bonus to be completely at the Board's discretion and feels that this keeps them motivated and gives them an incentive to perform additional undertakings other than what is contracted.

Board: If Gallaghers is awarded the brokerage contract the measures to grade performance should be rewritten.

Gallagher: We feel that the bonus should not be an issue—we are willing to work and negotiate the fees/bonus with the Board. According to the main office, it costs Gallagher \$80,000 to manage the account. The bonus is commission on the account. It may be possible to reduce the expenses built in to the fees if Rich administers and markets the account and John attends all meetings.

Board: What is the relationship with APEX and Gallagher?

Gallagher: APEX is a wholesaler that represents markets that Gallagher does not have industry access. Gallagher's carrier recommendation, American Reinsurance, is not through APEX. Gallagher has more business with American Reinsurance than APEX has with the Mutual's present carrier, Signet Star.

Guzman: During Robert Driver's qualifications proposal they presented a property program that may be beneficial to the Mutual. Was Gallagher able to receive a quote from Driver?

Gallagher: Gallagher did request a quote from Driver for the property portion of the program in which sub-limits for flood and earthquake are allowed. Driver has indicated that it will be mid-September before they will provide a quote. If Gallagher is awarded the contract, negotiations for the best premium rates will continue.

AWARD of BROKERAGE CONTRACT

A comparison breakdown sheet of the Moreton and Gallagher recommendations was reviewed with the Board (see attachment #3). To totally fund the 2002 program, Moreton's proposal is \$3,818,470 and Gallagher's proposal is \$3,827,218, a difference of \$8,748. Shawn Guzman explained to the Board that Gallagher's fee has concerned him especially since he spoke with other Gallagher pool clients that are paying essentially the same fee for more services. Shawn expressed to Gallagher that a \$70,000 flat fee was more in-line with the services being provided to UACIM. Shawn was concerned about Moreton's low liability quote that appeared to be too low and the high attachment point. Once the attachment point level is set, it is difficult to negotiate it lower.

Kent Sundberg made a motion to question Moreton on the reliability of their liability quote, boiler & machinery quote and if their recommended carrier would be willing to negotiate a lower attachment point than \$2 million. To ask Gallagher the reason why their liability quote is so high, i.e. to buy down the attachment point, and if they would be willing to accept a \$75,000 flat fee. LaVar Cox seconded the motion, which failed 3-4 with Gary Herbert abstaining.

LaVar Cox made a motion to award the Broker Services contract to Arthur J. Gallagher & Company subject to their acceptance of a flat fee of \$75,000 for the current level of services being provided. Lynn Lemon seconded the motion, which passed 7-1, Kent Sundberg opposed.

The Board took a 15-minute recess while Shawn Guzman contacted John Chino and Rich Stokluska to offer the Brokerage contract at a flat fee of \$75,000. Following the recess, Shawn reported that Gallagher has made a counter offer to reduce the attachment point to \$1,850,000 and provide their current level of services at an \$80,000 annual fee with no performance bonus. Lynn Lemon made a motion to accept this counteroffer by Gallagher. LaVar seconded the motion, which passed 7-1, Kent Sundberg opposed. Gallagher's proposal did not address whether the contract was a one-year with two successive year options to renew. This is the Board's understanding and they requested that Shawn confirm this with Gallagher.

In an effort to work with Fred A. Moreton & Company in the future, on behalf of the Board, Shawn Guzman will explain that the Board was split on this close decision to award the brokerage contract and that the attachment point and questionably low liability proposal was the final deciding factor.

2002 PREMIUM CONTRIBUTION FORMULA

Pursuant to the Board's direction, Sonya White calculated the premium contributions with the scenarios the Board requested at the July 19 meeting (see attachment #4) by using the numbers initially proposed by Gallagher—premiums will vary slightly from this with the new attachment point number and the lower brokerage fee. Proposal number one is to fully fund the program at \$3,827,218. Proposal number two (scenario number one) included a five-year loss history, no adjusted losses and a 10% cap on the loss fund portion of the premium, a 100% property allocation and a 10% cap on the liability allocation of the reinsurance portion of the premium. Proposal number three (scenario number two) included a five-year loss history, \$100,000 adjusted losses with no cap on the loss fund portion of the premium, a 100% property allocation and a 10% cap on the liability allocation of the reinsurance portion of the premium. Shawn explained that he would be comfortable with proposal number two (scenario number one) that funds the loss fund at a confidence level of 94.5%. Ty Lewis made a motion to adopt proposal number two (scenario number one) as the 2002 premium contribution formula. LaVar Cox seconded the motion, which passed unanimously.

DIRECTOR'S REPORT

Shawn Guzman explained that the only item he needed to discuss or would like direction on is how the Board would like to announce the premium benefits members are receiving with the decision to under fund the loss fund? It was decided that Shawn would meet with each county commission and announce the amount of the dividend received this year during a hard insurance market. Each member will receive an equity statement at the annual meeting.


OTHER BUSINESS

The Board requested a detailed report from the UACIM Loss Control Manager explaining his plan to eliminate increasing automobile losses.

Dan McConkie explained that a Davis County constituent is alleging she was mistreated by the UACIM Claims Manager and that she has gone to the Mayor, City Council Members and Stake President to put pressure on the County to pay her claim. Dan has a written statement from the constituent that he will forward to Shawn Guzman to sensitively handle.

The next Board of Trustees meeting is scheduled for Thursday, September 20, 2001, 9:00-12:00, Logan.

Approved on this _____ day of _____, 2001



Ken Bischoff, UACIM Secretary-Treasurer, Weber County Commissioner



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

RISK MANAGEMENT SUMMARY

AUGUST 23, 2001

Prepared by:

**Rich Stokluska, ARM
Vice President**

**John Chino, ARM
Vice President**

**Arthur J. Gallagher & Co.
Public Entity and Scholastic Division**



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

EXPOSURE COMPARISON

General Liability:

	Expiring	Renewal	%
Gross Operating Expenditures	\$373,052,903	\$407,640,165	+9.3%
Streets	\$27,085	\$28,584	+5.5%
Parks	43	46	+7.0%
Golf Receipts	1,625,477	1,520,279	-6.5%
Stadium Receipts	131,818	116,556	-11.6%
Number of Zoos	1	1	0.0%
EMT's/Paramedics			
Full-time	15	32	+113.3%
Part-time	399	405	+1.5%
Volunteers			
Full-time	0	0	0.0%
Part-time	290	280	-3.4%
Number of Nurses	67	41	-38.8%
Number of Employees	4,409	4,311	-2.2%

Law Enforcement:

	Expiring	Renewal	%
Number of Officers			
Number of Full-time	591	641	+8.5%
Number of Part-time	74	89	+20.3%
Number of Jailers			
Number of Full-time	725	730	+0.7%
Number of Part-time	42	40	-4.8%



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

EXPOSURE COMPARISON

Automobile Liability :

	Expiring	Renewal	%
Sheriff's Cars	846	974	+15.1%
Fire Cars	86	96	+11.6%
Private Passenger	318	298	-6.3%
Vans/Pickups/Light Trucks	655	761	+16.2%
Medium Truck	166	166	0.0%
Heavy Trucks	308	332	+7.8%
Fire Trucks	160	150	-6.3%
Buses	21	27	+28.6%
Ambulances	86	97	+12.8%
ATV's	95	103	+8.4%
Total	2,741	3,004	+9.6%

Property:

	Expiring	Renewal	%
Total Insurance Values	\$736,446,357	\$752,344,238	2.2%



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

TOTAL INCURRED LOSS ANALYSIS
Trended and Developed
Valued as of 6/30/2001

	1996	1997	1998	1999	2000	2001	Total	Average ⁽¹⁾
Property	\$100,982	\$98,721	\$132,597	\$145,812	\$54,570	\$85,096	\$617,778	\$112,323
Auto Physical Damage	171,905	152,534	378,772	302,105	178,696	168,615	1,352,627	245,932
Auto Liability	84,714	326,996	372,945	161,728	189,723	956,209	2,092,315	380,421
General Liability	621,792	304,427	583,323	1,161,095	545,554	391,760	3,607,951	655,991
Errors & Omissions	218,504	468,232	93,716	242,540	405,560	270,045	1,698,597	308,836
Crime	0	0	0	4,328	0	0	4,328	787
Total	\$1,197,897	\$1,350,910	\$1,561,353	\$2,017,608	\$1,374,103	\$1,871,725	\$9,373,596	\$1,704,290

⁽¹⁾ Average losses for five years and six months.



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

UTAH ASSOCIATION OF COUNTIES
Comparison of Casualty

Expiring Program Signet Star	Signet Star	American Safety	Am Re
Loss Fund: \$1,715,000	\$3,500,000	\$1,900,000	\$1,875,000
Aggregate Limit: \$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Premium: \$491,000	\$890,000	\$591,419	\$580,000
Notes:			



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

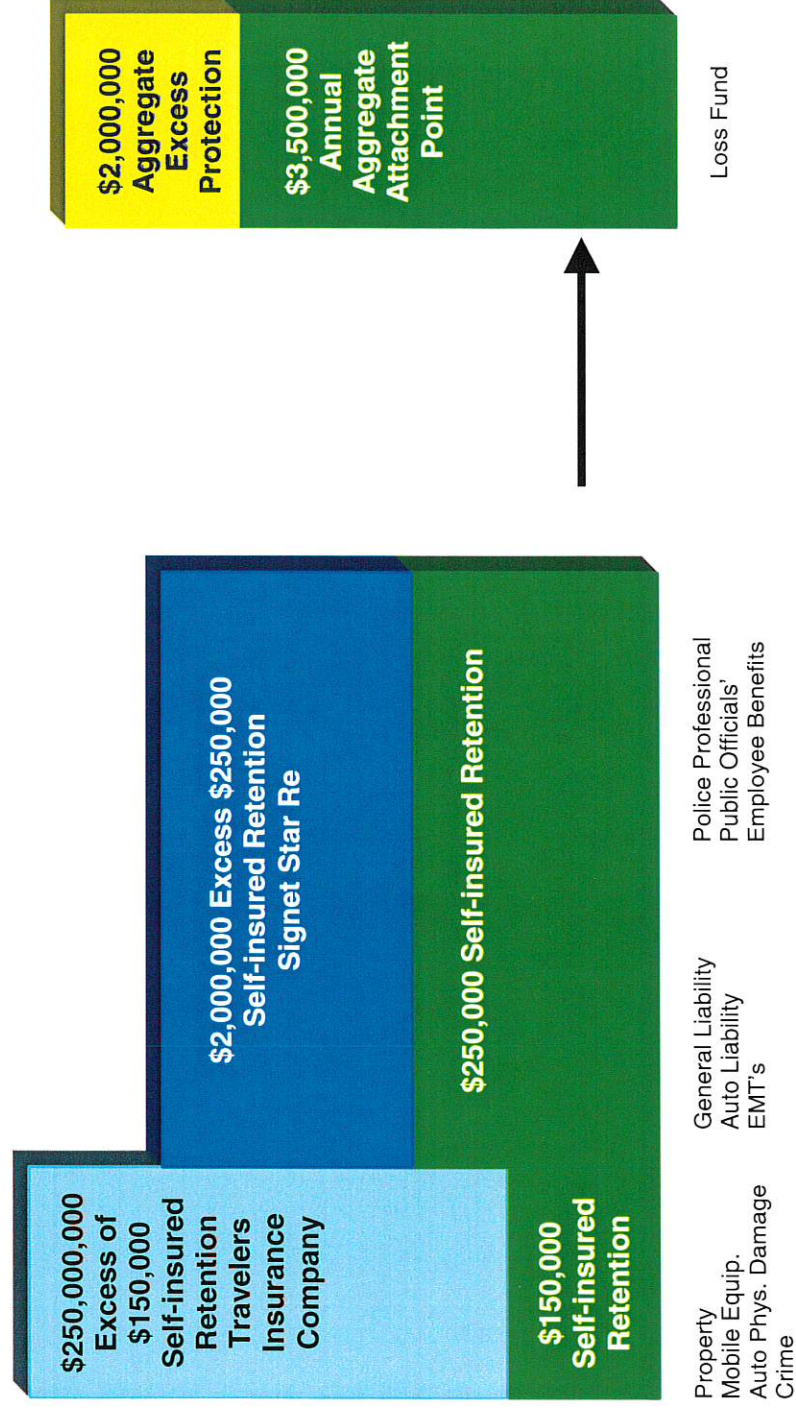
UTAH ASSOCIATION OF COUNTIES
Comparison of Casualty – Continued

Expiring Program Signet Star	TIG (1)	TIG (2)	
Loss Fund: \$1,715,000	\$2,500,000	\$2,500,000	
Aggregate Limit: \$2,000,000	\$2,000,000	\$2,000,000	
Premium: \$491,000	\$568,000	\$398,000	
Notes:	\$10,000,000 Pool Aggregate	\$250,000 Corridor Deductible	



UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL **2002 RISK MANAGEMENT SUMMARY**

2002 RISK MANAGEMENT STRUCTURE Signet Star Re and Travelers Insurance Co.



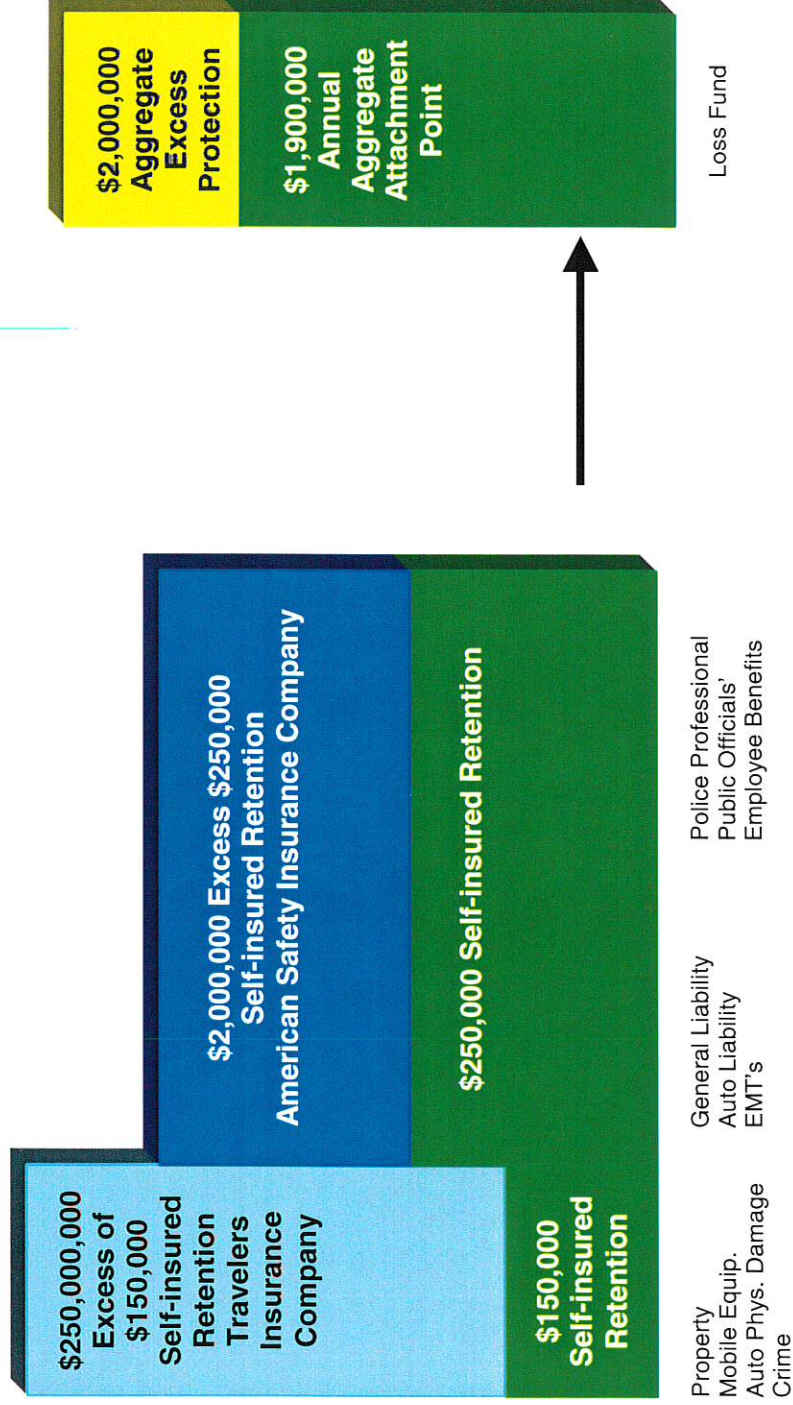
The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.



UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL 2002 RISK MANAGEMENT SUMMARY

2002 RISK MANAGEMENT STRUCTURE

American Safety Insurance Company and Travelers Insurance Co.

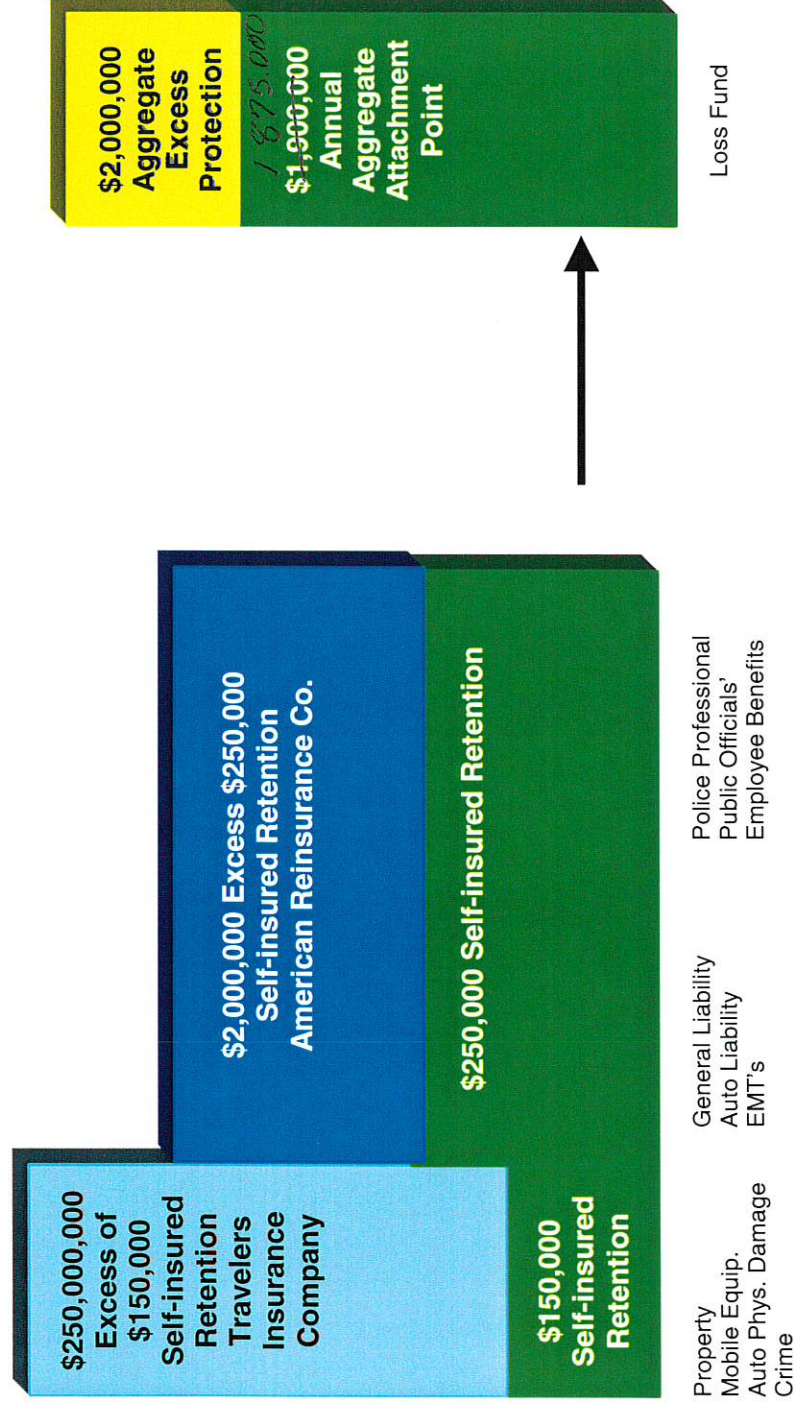


The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.



UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL 2002 RISK MANAGEMENT SUMMARY

2002 RISK MANAGEMENT STRUCTURE American Reinsurance Co. and Travelers Insurance Co.

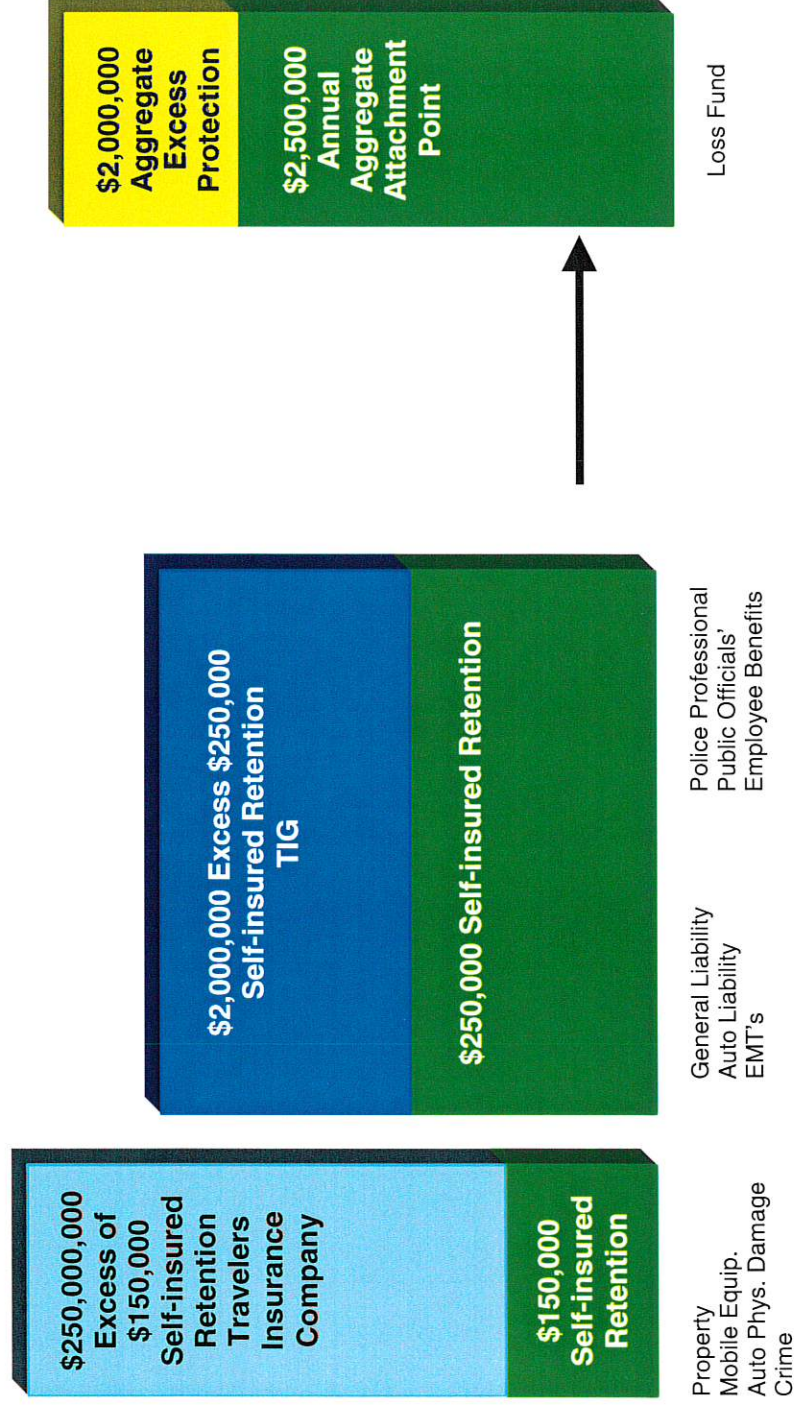


The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.



UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL 2002 RISK MANAGEMENT SUMMARY

2002 RISK MANAGEMENT STRUCTURE TIG (Option No. 1) and Travelers Insurance Co.

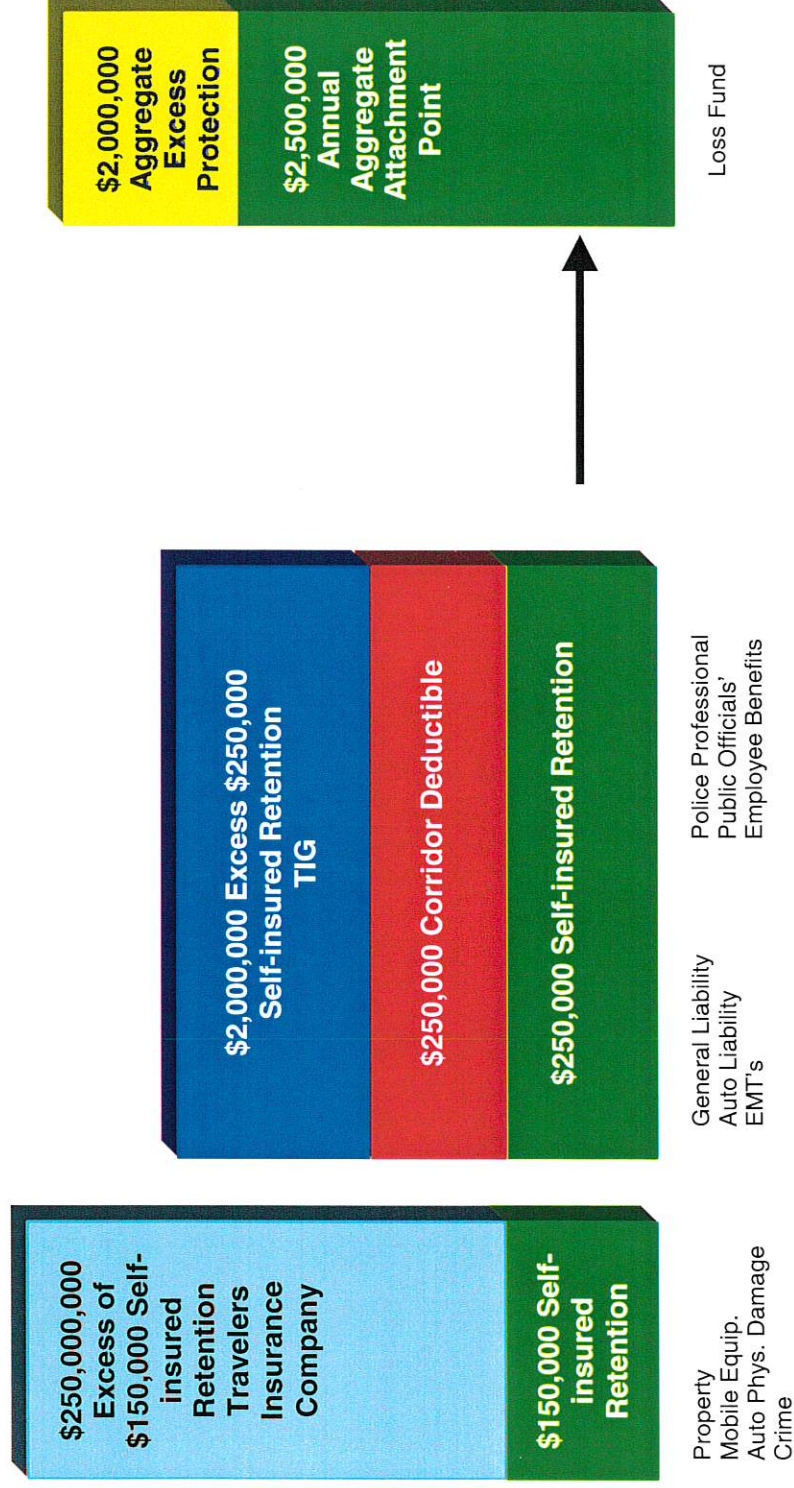


The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

2002 RISK MANAGEMENT STRUCTURE
TIG (Option No. 2) and Travelers Insurance Co.



The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

PROPERTY

Perils: All Risk, including Flood and Earthquake except as sublimited below

Company: Travelers Insurance Company

Coverage: Real and Personal Property, including Auto Physical Damage

Policy Limit: \$250,000,000 Excess of \$150,000 Self-insured Retention except for Earthquake which is 2% of the location limit or a minimum of \$150,000

Sublimits:

- \$25,000,000 Earthquake (annual aggregate)
- \$25,000,000 Flood (annual aggregate) except
- \$2,000,000 Flood (annual aggregate) Zone A
- \$5,000,000 Builders' Risk (90 days reporting)
- \$5,000,000 Ordinance or Law in any one loss
- \$5,000,000 Debris Removal or 25% of loss, whichever is less
- \$1,000,000 Newly Acquired Property (90 days reporting)
- \$39,356,598 Mobile Equipment in any one loss
- \$10,531,700 Valuable Papers in any one loss
- \$1,250,000 Fine Arts in any one loss
- \$2,500,000 Accounts Receivable in any one loss
- \$25,000,000 Extra Expense in any one loss
- \$1,000,000 Errors & Omissions in any one loss
- \$24,542,884 Data Processing Equipment and Media in any one loss
- \$1,250,000 Data Processing Extra Expense in any one loss
- \$49,139,021 Vehicles in any one loss ACV basis
- \$250,000 Pollutant Cleanup annual aggregate

All sublimits are per occurrence unless otherwise noted.

Deductible: \$150,000 Self-insured Retention except Earthquake which is 2% of the location limit or a minimum of \$150,000

Cancellation: 60-days' notice of cancellation applies except 10 days for nonpayment of premium.

Valuation: Repair or replacement basis as outlined in the policy form except for auto physical damage and mobile equipment which is actual cash value.

Premium: \$451,406



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

BROKERAGE SERVICES

Arthur J. Gallagher & Co. receives from UACIM an annual fee for providing brokerage services to the membership for the placement of the Excess Property, Liability, Automobile, Law Enforcement, and Public Officials' Liability coverages. The 2002 fee is \$80,000, which does not include any eligible performance bonuses, or commissions from the placement of policies or coverages outside the program.

The services that Arthur J. Gallagher & Co. provides to UACIM as a whole, and to individual member counties include, but are not limited to, the following:

- Provide information regarding insurance markets from the standpoint of cost, service, coverage, and security;
- Keep client informed of changes in insurance market conditions that may affect the insurance program;
- Coordinate and develop renewal information with client;
- Assist in the preparation of materials, specifications, and underwriting data required by insurers;
- Market required insurance coverages;
- Prepare and present formal annual renewal presentation to client;
- Place coverage as instructed by client;
- Review the accuracy and adequacy of all policies, policy endorsements, and invoices prior to delivery;
- Assist client in the design of policy forms as needed;
- Issue binders, certificates of insurance, and other coverage verification documents as required;
- Present policy coverage questions to underwriters;
- Assist in obtaining settlements from insurers for losses that penetrate excess insurance layers;
- Act as liaison with insurance companies and McLarens-Toplis, Inc.;
- Be available to answer day-to-day questions from member counties; and
- Attend client meetings when requested.



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

PERFORMANCE MEASUREMENT

In addition to the basic fee for services, Arthur J. Gallagher & Co. is eligible for bonuses of up to **\$16,000** for the 2002 program year.

Arthur J. Gallagher & Co.'s performance shall be **measured twice a year**, using the following criteria:

- Review, analyze, and provide recommendations to UACIM regarding deductibles, self-insured retentions, loss funds, and program structures.
- Bind coverage on behalf of UACIM as required.
- Provide alternative quotations on ancillary coverages as requested by UACIM.
- Act as representative of UACIM in matters relating to UACIM's excess insurance and/or reinsurance.
- Assist in marketing the UACIM program to other Utah counties.
- Assist in the analysis and comparison of various proposals/quotations submitted to UACIM members by competing brokers.
- Participate, when invited, in monthly UACIM Board of Directors meetings.
- Participate in all full membership meetings.
- Review, analyze, and respond to UACIM questions pertaining to coverage or servicing issues.
- Return all phone calls within 24 hours.
- Review policies, endorsements, and certificates for accuracy. Request changes as needed.
- Quote, bind, and process bonds as needed.
- Act as an intermediary, when requested, between the Utah Department of Insurance and the UACIM.
- Assist the UACIM staff with members' concerns, questions, or general service issues.

Arthur J. Gallagher & Co. will be eligible for up to 50% of the annual bonus, or \$8,000, at the end of the first and third quarters. Performance bonuses will be billed no later than 30 days after the end of each quarter.



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2002 RISK MANAGEMENT SUMMARY**

2002 PROGRAM YEAR
Marketing Summary

Description	Signet Star	American Safety	American Reinsurance	TIG #1	TIG #2
Casualty (Third-party Liability)	\$890,000	\$591,419	\$580,000	\$568,000	\$398,000
Property ⁽¹⁾⁽²⁾	451,406	451,406	451,406	451,406	451,406
Crime/Employee Dishonesty ⁽¹⁾	4,008	4,008	4,008	4,008	4,008
Boiler & Machinery ⁽¹⁾	29,245	29,245	29,245	29,245	29,245
Brokerage Fee ⁽³⁾	80,000	80,000	80,000	80,000	80,000
Total Fixed Costs	\$1,454,659	\$1,156,078	\$1,144,659	\$1,132,659	\$962,659
Loss Fund (Attachment Point)	3,500,000	1,900,000	1,875,000	2,500,000	2,500,000
Total Program Costs	\$4,954,659	\$3,056,078	\$3,019,659	\$3,632,659	\$3,462,659

⁽¹⁾ Travelers Insurance Company.

⁽²⁾ The property premium can be lowered by \$45,140 (to \$406,266) if the Mutual decides to reduce the Flood and Earthquake limits to \$10,000,000 each occurrence/annual aggregate.

⁽³⁾ Brokerage fee does not include any bonuses or incentives.





UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

Proposal For Insurance Broker Services

By
Kery D. Oldroyd, ARM, CPCU
Vice President



Fred A. Moreton & Company

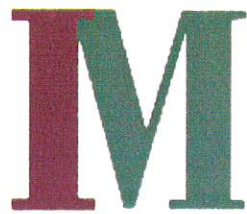
INSURANCE - SURETY BONDS - EMPLOYEE BENEFITS

... An Assurex Partner

SINCE 1910

709 East South Temple
Salt Lake City, Utah 84102
(801) 531-1234
Fax (801) 531-6117

The statements made relating to coverages in this proposal are brief descriptions and the nature and extent of coverages are only as stated in the policy. All information is considered strictly confidential.



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

Proposal For Insurance Broker Services

By
Kery D. Oldroyd, ARM, CPCU
Vice President



Fred A. Moreton & Company

Table Of Contents

- I. Summary
- II. Market Response
 - General Reinsurance
 - Coregis
 - Kemper
 - St. Paul
 - AIG
 - Others
- III. Fee Schedule
- IV. Issues



Liability Summary

M UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

(General, Police, Public Officials & Auto)

Carrier	Form	Limits	Retention	Premium
Kempes (Kemper)	Follow Your Form	Follow Your Form	\$250,000 (Follow Your Form)	\$298,628
General Reinsurance (Berkshire Hathaway)	Their Form Additional Exclusions & Conditions	\$1,500,000	\$500,000	\$400,000
Coregis (General Electric)	Follow Your Form	Follow Your Form	\$250,000 (Follow Your Form)	\$425,000***
Affiliated FM				
Royal				
Hartford				



Fred A. Moreton & Company

Property Summary

M UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

(Buildings, Contents, Crime, Auto Physical Damage)

Carrier	Form	Limits	Self Insured Retention	Premium	Aggregate (Loss Fund)	Premium
Kempes (Kemper)	Follow Your Form	Follow Your Form	\$150,000	\$553,985 (Boiler Additional)	\$2,000,000	\$96,036
General Reinsurance (Berkshire Hathaway)	Their Form Additional Exclusions & Conditions	Follow Your Form	\$200,000	\$690,000	Not Available	
Coregis (General Electric)	Follow Your Form	Follow Your Form	\$150,000	\$625,000***	\$2,000,000	\$104,200
Affiliated FM	Follow Your Form	Property Only at Your Limits	\$150,000	\$660,000*		
Royal	Follow Your Form	Property Only	\$150,000	\$650,000**		
Hartford	Follow Your Form	Crime Only at Your Limits	\$150,000	\$13,300		

* Indication Only

** Loss Limit of \$100,000

\$5,000,000 Earthquake/Flood

\$1,000,000 Flood Zone B and A

*** Indication Only

Final Premium on Aug. 21



Fred A. Moreton & Company

Market Response Detail



Gen-Re

Bests Rating: A++ XV

LIABILITY

(General, Police Professional, Public Officials & Auto)

Self Insured Retention:	\$500,000
Excess Limit:	\$1,500,000 Occurrence/Aggregate
Premium:	\$400,000
Comments:	General Reinsurance is the largest reinsurer in the world and insures more than 1,000 Municipalities.

PROPERTY, CRIME & AUTO PHYSICAL DAMAGE

Self-Insured Retention:	\$150,000
Limits: (Excess of the Self insured Retention)	As per your coverage agreement (UACIM – 01.100)
Coverage Form:	Gen-Re's own form has additional exclusions and conditions in addition to UACIM –01.100.
Premium:	\$690,000

AGGREAGATE ATTACHMENT

Limits:	Not Available
----------------	---------------

General Reinsurance would require some changes to the exclusion language in the Member Coverage Agreement. The following are areas of concern: Nursing Homes, Failure to Supply, Subsistence, Sexual Abuse, Zoning and Loss of Use.

There are other areas in the general definitions and general coverage sections that General Reinsurance would require be changed: definition of accident and occurrence, definition of incident and practice, etc.

<u>TOTAL PREMIUM</u>	\$1,090,000
-----------------------------	-------------



Fred A. Moreton & Company



2002 Risk Management Structure

General Reinsurance Company



* Other limits per UAC Insurance Mutual Coverage Agreement Form # UACIM -01.100



Fred A. Moreton & Company

Market Response Detail



Coregis

Bests Rating: A IX

LIABILITY

(General, Police Professional, Public Officials & Auto)

Self Insured Retention:	\$250,000
Excess Limit:	\$2,000
Premium:	\$425,000*
Comments:	Follow Your Form

PROPERTY, CRIME & AUTO PHYSICAL DAMAGE

Self-Insured Retention:	\$250,000
Limits: (Excess of the Self insured Retention)	As per your coverage agreement (UACIM – 01.100)
Coverage Form:	Follow Your Form
Premium:	\$625,000*

AGGREAGATE ATTACHMENT

Limits:	\$2,000,000
Premium:	\$104,200*

* Indication – Final Premiums on 8-21-01

<u>TOTAL PREMIUM</u>	\$1,154,200
-----------------------------	-------------

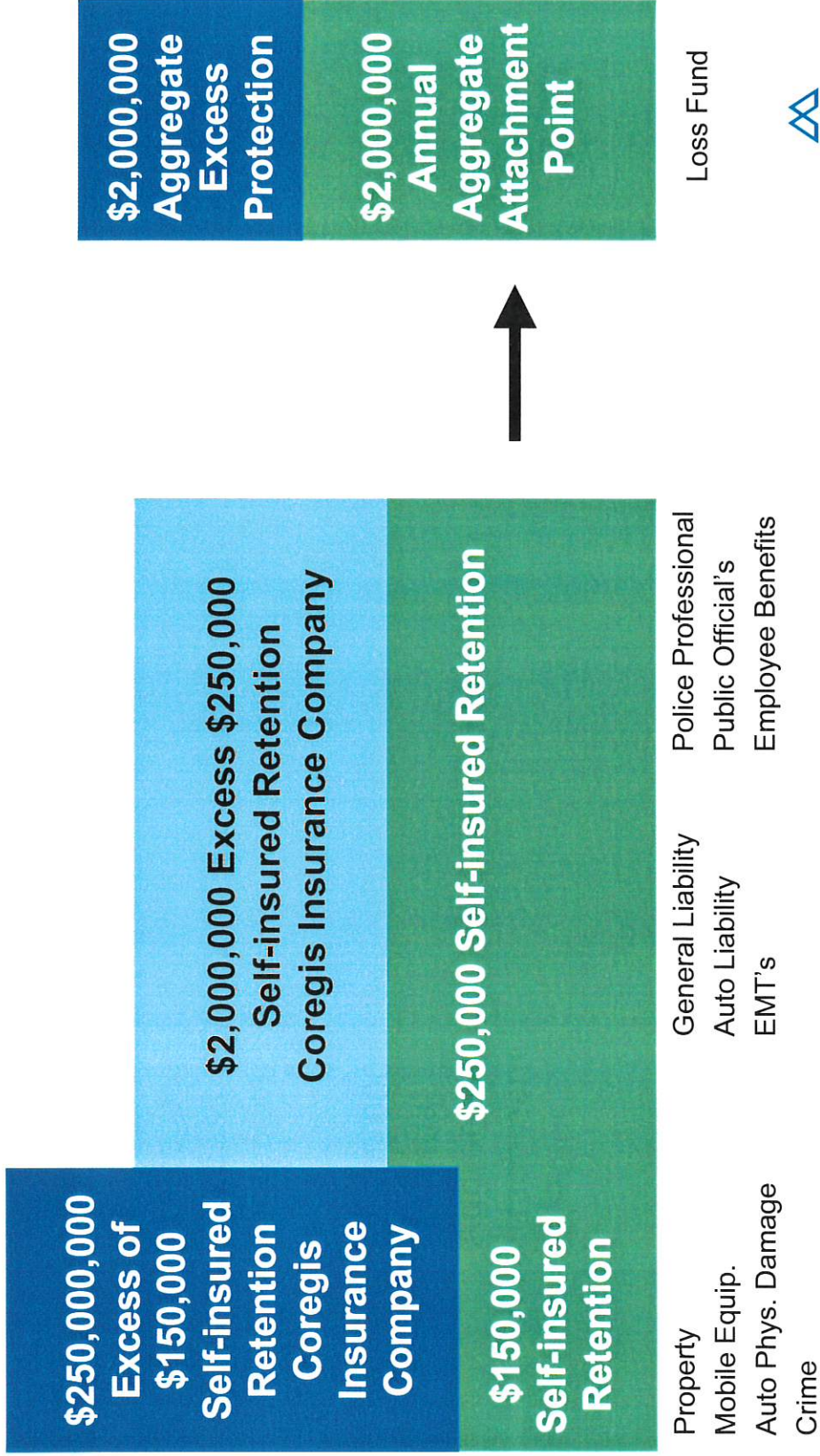


Fred A. Moreton & Company



2002 Risk Management Structure

Coregis Insurance Company



* Other limits per UAC Insurance Mutual Coverage Agreement Form # UACIM -01.100



Fred A. Moreton & Company

Market Response Detail



Kempes

Bests Rating: A XV

LIABILITY

(General, Police Professional, Public Officials & Auto)

Self Insured Retention:	\$250,000
Excess Limit:	\$2,000,000
Premium:	\$298,628
Comments:	Follows Your Form

PROPERTY, CRIME & AUTO PHYSICAL DAMAGE

Self-Insured Retention:	\$150,000
Limits: (Excess of the Self insured Retention)	As per your coverage agreement (UACIM – 01.100)
Coverage Form:	Follows Your Form
Premium:	\$553,985* *Boiler additional. Will use your current boiler market and premium.

AGGREAGATE ATTACHMENT

Limits:	\$2,000,000
Premium:	\$96,036
Option:	Increase maintenance deductible to \$1,000 on all lines – reduce premium by \$6,723.

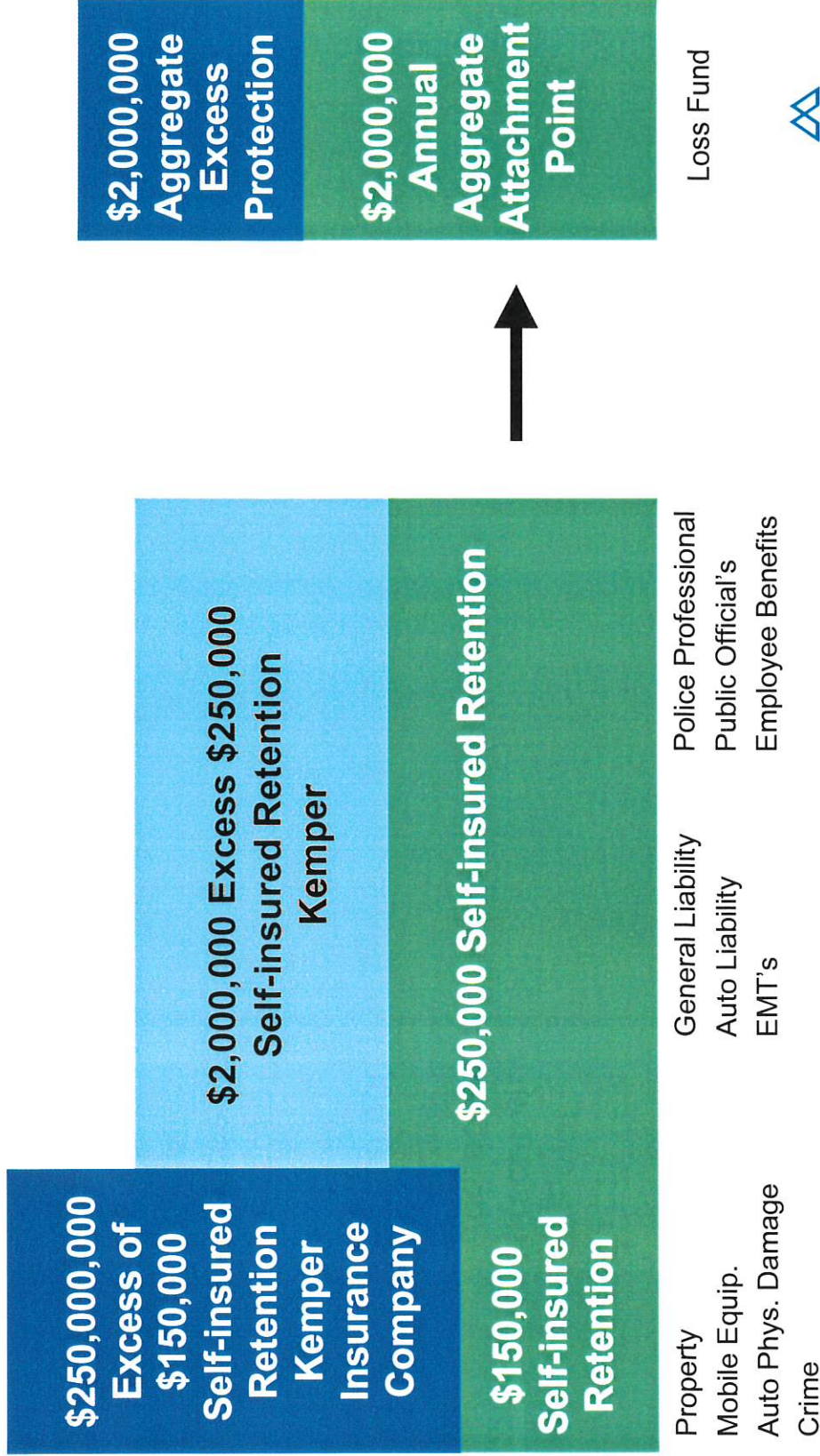
<u>TOTAL PREMIUM</u>	\$948,649
----------------------	-----------



Fred A. Moreton & Company



2002 Risk Management Structure Kemper



* Other limits per UAC Insurance Mutual Coverage Agreement Form # UACIM -01.100



Fred A. Moreton & Company

Other Markets

St. Paul

- Offers program
- Likes long term relationship
- Fair pricing
- Too early to quote

AIG

- Market if last resort
- Premium indication if \$1,500,000
- Uses their own form
- Does not like to compete
- Service issues

IPSI

- All lines program
- Non-admitted Paper



Fred A. Moreton & Company

Premium Summary

M UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

	Property	Liability	Aggregate	Total
Kempes	\$553,985	\$298,628	\$96,036	\$948,649
Gen-Re	\$690,000	\$400,00	N/A	\$1,090,000
Coregis	\$625,000	\$425,000	\$104,200	\$1,154,200



Fred A. Moreton & Company

Fee Schedules



We have analyzed your account in comparison to other similar accounts and will agree to handle your account on a fee basis. The administration and placement of insurance for the property and liability coverage including the commitments of our team members, are included in the cost breakdown of fees.

These fees are in addition to the premiums quoted. The premiums are net of any commission or fee. The fees are payable annually and due within 15 days of the policy effective date each year.

Policy Year 2002 – 2003	\$59,100
Policy Year 2003 - 2004	\$52,900
Policy Year 2004 - 2005	\$54,500

For additional coverages (TULIP, airports etc.), we will agree to accept the insurance carriers normal commission rates (and disclose those to you) or work out a mutually agreeable fee arrangement.

We will complete during the first policy year:

- Inspections
 - All buildings valued over \$1,000,000
- Building Classifications
 - Proper construction class determination
 - Proper protection classification
 - Mercalli quake zone class
- Assist in developing information system that fits the insurance industry standard form and content.
- Attend meetings as requested
- Provide assistance as outlined in our Proposal for Brokerage Services.
- Assist with rewriting coverage form.



Fred A. Moreton & Company



Team Member Responsibilities

	Kery Oldroyd	Lisa Levy	Robert Callister	Julie Sorensen	Susan Andersen
Cumulative Insurance Experience (Years)	25	25	16	24	18
Area of Insurance Expertise	- Public Entity	- Risk Management	- Commercial Lines Broker	- Public Entity	- Commercial Lines
Area of Practice	- Manager – Public Entity Department	- Risk Management - Brokerage	- Brokerage	- Account Executive	- Account Assistant
Years at Fred A. Moreton & Company	12	12	14	15	1
Role for UACIM	- Account Manager - Brokerage - Coverage Negotiation	- Coverage Negotiation - Risk Management - Brokerage	- Coverage Analysis - Insurance Policy Language - Brokerage	- Policy Maintenance - Service	- Policy Maintenance - Service
Estimated Time Percentage Allocated to UACIM	10%	10%	5%	15%	15%
Professional Designations	CPCU, ARM	CPCU, CIC	CPCU	AAI	



Fred A. Moreton & Company



Team Member Responsibilities

	Julie Montgomery	Cathy Hampton	Russ Norman	Gary Manville	Phil Snow
Cumulative Insurance Experience (Years)	43	20	11	30	31
Area of Insurance Expertise	- Commercial Lines - Account Assistant	- Risk Management - Risk Management - Brokerage	- Loss Control Engineering - Loss Control - Risk Management - Inspection/Valuation	- Surety/Bonds - Surety/Bonds	- Claims - Claims
Years at Fred A. Moreton & Company	12	20	4	18	5
Role for UACIM	- Policy Maintenance - Service	- Coverage Negotiations - Reports - Statistics	- Inspection - Loss Control	- Surety Bonds	- Claims Administration
Estimated Time Percentage Allocated to UACIM	10%	5%	5%	3%	2%
Professional Designations	CPSR	CPCU, CIC, ARM, AIC	ARM	CPCU	



Fred A. Moreton & Company

Issues (Discussion Items)

Coverage Form

- Liability
- Property
- Auto (Non-Owned, Hired)
- Boiler

Timing

- Hedge pricing
- Unavailable pricing
 - Reinsurance contacts 1-1-02
 - 7-1-01 results not in yet.

Underwriting Information

- Liability
 - Adjusted budgets
 - Capital expenditures
 - Debt service
 - Independent contractors costs
 - Insurance costs
- Property
 - Construction class (3 vs 6)
 - Protection class
 - MMI (Modified Mercalli Intensity Scale)
 - Sprinkler system
 - Additional protection
 - Alarm
 - Security
- Loss Information
 - Sort liability claims by GL, PPL, POL, Auto



Fred A. Moreton & Company

GALLAGHER

Attachment Point: \$1,875,000

Reinsurance:

Liability	\$580,000	
Property	\$451,406	
Boiler	\$29,245	\$484,659
Crime	\$4,008	
	<u>\$1,064,659</u>	

Expenses:

Pool Admin	\$494,804
Claim Mngmt	\$235,200
Brokerage	\$96,000
Accounting	\$22,255
Actuary	\$8,000
Other	<u>\$31,300</u>
	\$887,559

Total: \$3,827,218

MORETON

Attachment Point: \$2,000,000

Reinsurance:

Liability	\$298,628	
Property	\$650,021	
Boiler	\$19,162	\$669,183
Crime	incl.	
	<u>\$967,811</u>	

Expenses:

Pool Admin	\$494,804
Claim Mngmt	\$235,200
Brokerage	\$59,100
Accounting	\$22,255
Actuary	\$8,000
Other	<u>\$31,300</u>
	\$850,659

Total: \$3,818,470

2002 Premium Contribution Proposals

	PROPOSAL #1 2001 Formula w/o Cap		PROPOSAL #2 Scenario 1		PROPOSAL #3 Scenario 2		2001 Premium
	AJG	FAM	AJG	FAM	AJG	FAM	
BEAVER	71,184	72,041	68,547	70,121	69,181	73,116	69,954
BOX ELDER	123,067	122,846	165,648	168,489	114,157	120,707	167,505
CACHE	170,325	162,622	187,801	185,919	187,194	192,125	194,552
CARBON	171,179	174,576	96,392	98,415	150,233	157,425	82,555
DAGGETT	38,050	38,300	36,902	38,098	32,665	34,363	36,735
DAVIS	314,418	308,426	432,710	433,454	447,495	466,691	370,211
DUCHESNE	98,565	96,795	114,650	115,801	103,509	107,952	111,465
EMERY	86,549	82,732	158,959	159,335	109,318	113,691	165,096
GARFIELD	44,299	41,893	65,009	66,346	44,111	46,261	64,364
GRAND	87,470	86,069	81,551	82,771	77,790	81,562	81,599
IRON	144,843	144,248	139,301	141,165	126,035	132,269	140,837
JUAB	145,050	148,708	104,149	104,471	133,439	139,222	94,570
KANE	144,627	144,868	68,643	67,023	95,980	98,169	62,911
MILLARD	152,415	151,899	129,991	130,804	152,067	158,337	112,956
PIUTE	16,017	14,558	21,679	21,426	19,160	19,120	20,038
RICH	58,178	58,599	37,182	37,217	65,826	68,371	37,073
SAN JUAN	181,625	178,332	151,765	156,467	162,330	166,940	143,280
SANPETE	58,729	57,387	79,701	80,345	49,031	51,147	80,766
SEVIER	71,913	67,065	74,399	74,666	67,937	69,554	73,361
UINTAH	139,873	140,329	185,245	194,195	195,049	206,902	189,386
UTAH	445,674	445,061	419,922	440,996	436,721	456,804	370,827
WASATCH	155,930	155,818	158,882	161,157	167,007	175,738	134,603
WASHINGTON	224,055	224,370	185,643	194,321	192,598	200,841	176,543
WAYNE	38,770	36,664	39,310	39,647	41,604	41,928	41,209
WEBER	644,411	664,265	393,902	417,135	544,183	582,506	251,684
	3,827,218	3,818,470	3,597,884	3,679,782	3,784,621	3,961,742	3,274,082
Underfund Amt:			229,334	138,688	42,596	-143,271	

Scenario 1:

Loss Fund=5-year loss history, no adjusted losses, 10% cap

Reinsurance=100% property, 10% cap liability

Scenario 2:

Loss Fund=5-year loss history, \$100,000 adjusted losses, no cap

Reinsurance=100% property, 10% cap liability

2002 Premium Contribution Proposals

	PROPOSAL #1 2001 Formula w/o Cap	PROPOSAL #2 Scenario 1	PROPOSAL #3 Scenario 2	2001 Premium
BEAVER	71,184	68,547	69,181	69,954
BOX ELDER	123,067	165,648	114,157	167,505
CACHE	170,325	187,801	187,194	194,552
CARBON	171,179	96,392	150,233	82,555
DAGGETT	38,050	36,902	32,665	36,735
DAVIS	314,418	432,710	447,495	370,211
DUCHESNE	98,565	114,650	103,509	111,465
EMERY	86,549	158,959	109,318	165,096
GARFIELD	44,299	65,009	44,111	64,364
GRAND	87,470	81,551	77,790	81,599
IRON	144,843	139,301	126,035	140,837
JUAB	145,050	104,149	133,439	94,570
KANE	144,627	68,643	95,980	62,911
MILLARD	152,415	129,991	152,067	112,956
PIUTE	16,017	21,679	19,160	20,038
RICH	58,178	37,182	65,826	37,073
SAN JUAN	181,625	151,765	162,330	143,280
SANPETE	58,729	79,701	49,031	80,766
SEVIER	71,913	74,399	67,937	73,361
UINTAH	139,873	185,245	195,049	189,386
UTAH	445,674	419,922	436,721	370,827
WASATCH	155,930	158,882	167,007	134,603
WASHINGTON	224,055	185,643	192,598	176,543
WAYNE	38,770	39,310	41,604	41,209
WEBER	644,411	393,902	544,183	251,684
	3,827,218	3,597,884	3,784,621	3,274,082
Underfund Amt:		229,334	42,596	

Scenario 1:

Loss Fund=5-year loss history, no adjusted losses, 10% cap

Reinsurance=100% property, 10% cap liability

Scenario 2:

Loss Fund=5-year loss history, \$100,000 adjusted losses, no cap

Reinsurance=100% property, 10% cap liability

2002 Premium Contribution Proposals

	PROPOSAL #1 2001 Formula w/o Cap	PROPOSAL #2 Scenario 1	PROPOSAL #3 Scenario 2	2001 Premium
BEAVER	72,041	70,121	73,116	69,954
BOX ELDER	122,846	168,489	120,707	167,505
CACHE	162,622	185,919	192,125	194,552
CARBON	174,576	98,415	157,425	82,555
DAGGETT	38,300	38,098	34,363	36,735
DAVIS	308,426	433,454	466,691	370,211
DUCHESNE	96,795	115,801	107,952	111,465
EMERY	82,732	159,335	113,691	165,096
GARFIELD	41,893	66,346	46,261	64,364
GRAND	86,069	82,771	81,562	81,599
IRON	144,248	141,165	132,269	140,837
JUAB	148,708	104,471	139,222	94,570
KANE	144,868	67,023	98,169	62,911
MILLARD	151,899	130,804	158,337	112,956
PIUTE	14,558	21,426	19,120	20,038
RICH	58,599	37,217	68,371	37,073
SAN JUAN	178,332	156,467	166,940	143,280
SANPETE	57,387	80,345	51,147	80,766
SEVIER	67,065	74,666	69,554	73,361
UINTAH	140,329	194,195	206,902	189,386
UTAH	445,061	440,996	456,804	370,827
WASATCH	155,818	161,157	175,738	134,603
WASHINGTON	224,370	194,321	200,841	176,543
WAYNE	36,664	39,647	41,928	41,209
WEBER	664,265	417,135	582,506	251,684
	3,818,470	3,679,782	3,961,742	3,274,082
Underfund Amt:		138,688	-143,271	

Scenario 1:

Loss Fund=5-year loss history, no adjusted losses, 10% cap

Reinsurance=100% property, 10% cap liability

Scenario 2:

Loss Fund=5-year loss history, \$100,000 adjusted losses, no cap

Reinsurance=100% property, 10% cap liability

